

1 available in the rural areas.

2 The models of many investor-owned companies
3 and objectives for return on investment in the
4 telecommunications business are fairly short. I've heard
5 of plans that were as short as a year and a half, as long
6 as seven years, and that has an impact on the rates that
7 are available. When Bonneville leases for commercial
8 purposes unrestricted use, we try to charge whatever the
9 commercial rates in that area are.

10 For public benefit fiber we've turned it
11 around and used Bonneville's telecommunications
12 amortization and recovery period of 20 years to recover
13 our costs. We cannot subsidize it, we can't do it below
14 cost, but we can use a different model and what it ends up
15 being is a dark fiber availability at something like a
16 third to a half of what the commercial rates are,
17 depending on the area.

18 Because it's dark fiber, it's not usable. As
19 a communications medium, we need to have somebody come in
20 and light it, and the speaker from NoahNet will talk a
21 little bit more about that. Bonneville has entered into a
22 contract with NoahNet requiring that they come in, put the
23 terminal equipment in, the region facilities, light the
24 Bonneville fiber and make it available on the ground in
25 each county that they pass currently on a loop in

1 Washington that's a little bit more than 1,000 miles.
2 There are requirements on time, on band width made
3 available under the contract. So there are performance
4 requirements. Additionally, they have agreed to make it
5 available on an open access basis on a cost pass through
6 non-profit arrangement.

7 You have heard from Forks, from Satsop, from a
8 number of people that talk about the potential uses; the
9 telemedicine, the education that are available. Some of
10 the people looking at Bonneville dark fiber available
11 through NoahNet or someone else are using it defensively.
12 They're trying to prevent existing businesses from packing
13 up and moving down the road because they can't get the
14 band width that they need. Others are using it to attract
15 new businesses. It certainly would be available for
16 either purpose.

17 Our objective, Bonneville's goal is not to be
18 the solution but to provide perhaps part of the solution
19 by cutting down on the distance problem that impacts the
20 rural areas. By having the fiber on the ground in a rural
21 area, it would make it then possible for a variety of
22 entities, and here we are talking about either the
23 electric utilities or internet service providers, or cable
24 companies, or wireless or satellites or other entities to
25 be able to cover that last mile and get it out into the

1 rural areas and still have a reasonable opportunity to
2 make a profit and have those services available in rural
3 areas in both capacity and price that's roughly comparable
4 to what's available in urban areas. The objective is not
5 to have an advantage necessarily for a rural area. Let's
6 say it's to eliminate the disadvantage that they're
7 presently operating under.

8 CHAIRWOMAN SHOWALTER: Mr. Kopp.

9 ROB KOPP: I want to thank you for inviting
10 NoahNet to come to speak and tell the story of the
11 experience we are going through right now.

12 CHAIRWOMAN SHOWALTER: Do you have a mic.

13 ROB KOPP: I thought I turned it on. More
14 technology.

15 So, again, thank you for inviting us and I
16 need to apologize for our CEO, Greg Martin. He was unable
17 to attend and NoahNet stands for Northwest Open Access
18 Network, and, again, the whole concept is based on the
19 public purpose fibers. I'm going to try and cover a few
20 things today; the objective, to inform you of NoahNet's
21 vision and to provide an overview of NoahNet's
22 infrastructure and how we plan to connect rural Northwest,
23 summarize the internet connectivity challenges for rural
24 Northwest, summarize local loop challenges.

25 As this whole NoahNet vision has spilled out,

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1 I have been out in rural communities all around
2 Washington. A little bit you should know me is I grew up
3 in a high school where 17 people graduated in a town of
4 500 people in Central Idaho. In the past five years I have
5 been doing telecommunications consulting to electric
6 utilities and telephone utilities in rural Northwest and
7 Alaska and I was equally involved in the home rural
8 electric TPI built out 90 miles on the Kenai Peninsula. I
9 helped put that partnership together. So I've seen a lot
10 of challenges in rural Northwest and Alaska. I'm also as
11 rural guy. So it's close to my heart. I'll do my best to
12 explain our vision.

13 The NoahNet vision is really to enable
14 advanced energy management services in the Northwest.
15 NoahNet was born out of public power in Washington State.
16 I was doing consulting for some public utilities that are
17 called the Mid-C's and it's a Mid-Columbia river, three
18 utilities there that do a lot of power planning management
19 and are seeing new ways to manage power delivery and
20 manage their power generation better to a great asset. So
21 technology helps them do that.

22 They started to dream of building a fiber
23 optic network to tie their generation and transmission
24 distribution systems together independently of BPA. We
25 then found out BPA public purpose fibers. Being public

1 power and the vision that BPA had for these public purpose
2 fibers really made a pretty good marriage. So public
3 power in Washington at that time afforded some seed
4 capital for consultants to be able to look at feasibility
5 of building independently and looking at the public
6 service fibers of BPA. Essentially, the idea started as
7 energy management but if we lit it there was going to be
8 excess capacity out there that hit most rural counties in
9 Washington.

10 So another vision was to serve rural Northwest
11 communities with affordable cost based access to advanced
12 telecommunications transport. We are not an ISP. We are
13 not a telecommunications company. We want to provide
14 transport. I'll get into that later about why transport
15 is a problem for rural communities.

16 A great part of the vision was open access. We
17 had a belief that really if you could provide an
18 infrastructure that was open to everybody and only had to
19 be built once and it was really offered at cost, that
20 could really do something for competition in the rural
21 areas. So open access is a part of our name. We live it
22 and breathe it.

23 We want to bridge the digital divide. That's
24 becoming a cliché and we've heard it all day today to
25 enable rural economic development. Most of these

1 communities are resource-based economies. Again, I'm an
2 information worker. If I have a good internet connection,
3 I can work anywhere in the Northwest and so I'm back to my
4 heart. I really believe that if you had the
5 infrastructure there, people would move to rural America.

6 So the infrastructure in the State of
7 Washington, again, is for public purpose fibers from BPA,
8 and we've licensed those on a long-term contract. Part of
9 that contract is to offer ingress and egress to every
10 rural county that this fiber crosses. We're building 20
11 plus telecommunications shelters in the Washington loop,
12 and those are called a NoahNet pop. So essentially on the
13 BPA fiber optic line, which Bob gave you a map of, we're
14 placing a hut in each county. Within that hut we're
15 offering TDM con activity and IP connectivity.

16 Another part of NoahNet's vision is we really
17 believe IP is the technology of the future. Everything
18 will run on IP. I can imagine my network much more
19 efficiently in an IP world than I can in the traditional
20 point-to-point TDM world. The technology essentially that
21 resides in these shelters are a sonnet infrastructure so
22 we can maintain the reliability of it. If fiber get cuts
23 nobody loses service.

24 Again, building an infrastructure that is
25 offering IP con activity because we really believe that we

1 transport IP cheaper than we can TDM. We did have to
2 provide TDM connectivity. We didn't want to install
3 infrastructure to enable world economic development and
4 advanced telecon and then have the technology that people
5 couldn't plug legacy systems into. So we're trying to
6 think the future but still provide access to legacy
7 systems.

8 Internet connectivity, and this is part of my
9 travel around the Northwest, is a major problem for
10 rurals. John, I'm sure sees the problem. I have to pay to
11 get from Omack to the Westin Building in Seattle. That is
12 the major internet pop for Washington State and the
13 Northwest. 85 percent of the traffic goes to the Westin
14 Building.

15 There are long haul carriers that go through
16 near Omack near Wenatchee but they don't offer ingress/
17 egress in these communities. There's not enough band width
18 for them to stop. It's not profitable, and I'll say that
19 generally. So there is a lack of affordable transport
20 from these rural communities to the internet. And, again,
21 the way people communicate now and run their businesses is
22 over the internet. So rural counties need to have access
23 to the Westin Building but there is this road block and
24 it's transport. It's paying for 200 miles of transport to
25 carry your ISP traffic up to the Westin.

1 Again, out in the communities there is
2 unfulfilled requests for DS-3's, for T1's in every
3 community that I go to. It's inhibiting delivery of
4 advanced services to rural communities. There could be a
5 DSL competitive exchange carrier or in an incumbent that
6 wants to build DSL in the community but they're facing
7 this transport problem. So I really feel like this
8 transport of four or 200 miles to get to an ISP is an
9 inhibitor. We feel that NoahNet offering ingress/ egress
10 in each county is removing that road block and providing
11 the cost based transport in rural counties. That's road
12 block number one. That's something that Noahnet believes
13 we can effect change in.

14 So local loop challenges are probably the
15 greatest challenge here, and NoahNet has nothing to do
16 with the local loop. We feel like we may be changing the
17 business environment for the local loop by changing the
18 transport picture. We are removing an expensive part of
19 the business plan by offering cost based access to the
20 internet pops, but, again, there's a local loop challenge
21 here.

22 There's existing infrastructure out there,
23 multi-state ILEC, regional ILEC, private rural incumbent
24 ILEC and then there's publically-owned to local exchange
25 companies. CATV companies either have coax (phonics) or

1 high refiber coax (phonics) systems and there's wireless.
2 Which technology is best to have out there. It probably
3 depends at the time on what existing infrastructure is out
4 there.

5 There are challenges with wireless in terms of
6 is it safe, is it secure for my business to run on that
7 and do I get the band width throughput that I need for
8 wireless? I don't know. Technology is changing. CATV,
9 there's somewhat band width limit on coax (phonics) cable,
10 too. I tends to have a belief that fiber delivery to the
11 home is the long-term solution in streaming pure IP
12 transport.

13 You know, which business approach to the
14 infrastructure is best; a monopolistic or open access? I
15 have a tendency to believe because I work for Northwest
16 Open Access that open access is kind of a dream that if
17 you could walk into a rural community that was
18 underserved or underbuilt, that if somebody would come in
19 and build one infrastructure one time and offer it on a
20 cost basis, man, would that bring competition in. Now, the
21 local loop challenges have really changed because I can
22 have a DSL carrier that can come in and really unbundle
23 the local loop and get it at a cost and start delivering
24 high speed internet net access.

25 This is part of my travels. I see a lot of

1 multi-state incumbent ILEC that are finding it difficult
2 to provide the investment quick enough for the rurals.
3 That's just a common problem that we're going to see.

4 You could over build regional rural providers,
5 which are independents, REA's and Co-Op's. The return on
6 investment is longer but does built out of a non-open
7 access infrastructure really encourage competition? I
8 don't know. Again, the cost is probably going to be
9 reasonable, but again is this independent or a Co-Op
10 encouraging DSL competitors to come in, and I'm asking
11 some questions here to.

12 You can have overbuild activities by
13 competitive providers, CATV's, ISP's, and CLEC's and,
14 again, you get back into the quick ROI. So the cost of
15 that infrastructure is affordable for rurals. Maybe
16 overbuild activities by entities committed to open access,
17 entities that are committed to extending ROI 15 to 20
18 years. Again, the economies of scale, I built this thing
19 once. I light it once and everybody can jump on this
20 infrastructure.

21 You know the typical environment that I watch
22 now with competitive LEC is infrastructure on top of
23 infrastructure on top of infrastructure and then everybody
24 has to light their own infrastructure. What that does is
25 that cost has to be passed down to the subscribers.

1 Again, maybe it's a dream about open access
2 and building one in infrastructure one time. I also see
3 it as maybe the one that enables advanced telecom to rural
4 America. That's what I think we are here for.

5 It reduces capital requirements to compete in
6 local loop. Again, any carrier can come in and not have
7 bundle of money to fund in infrastructure. All they have
8 to do is come an and run their core quantities of the
9 business.

10 What is the future? We talk about it a lot in
11 terms of trying to size NoahNet's infrastructure. What's
12 going to happen in rural America. What we see as the next
13 knees killer app is probably streaming multimedia, go into
14 blockbuster.com and actually being able to stream a video
15 with DVD quality in your home.

16 We are seeing some stories out there, zero
17 cost infrastructure, that no longer do the subscribers pay
18 for the infrastructure. If I can give in rural Washington
19 blockbuster access to 500,000 customers maybe blockbuster
20 should pay for that infrastructure and there's some models
21 out there right now that are playing this out.

22 There's zero cost to internet connectivity out
23 there. If I go through my Earth Link account and order
24 FTD Florist Earth Link actually gets some money on that
25 deal. So in the digital economy the way money changes

1 hands is changing and maybe there could be a zero-cost
2 infrastructure out there.

3 Content and application providers pay for the
4 transport on a transaction basis; it could be. NoahNet is
5 all about creating a rural society of digital haves, not
6 have nots, and we are hoping that we can enable the
7 digital economy in rural Northwest, and that's my story.

8 CHAIRWOMAN SHOWALTER: Thank you very much.

9 CHAIRWOMAN THOMPSON: Mr. Andrist, I think you
10 were talking about rural and definition of rural. Being
11 from Alaska I'm sympathetic to that concept. I think I
12 have you beat. You talked about two stoplights. Much of
13 rural in Alaska has no stoplights because there are no
14 roads.

15 JOHN ANDRIST: We feel better now.

16 COMMISSIONER THOMPSON: I got a handout that
17 showed a map of your wireless network that you're
18 building, and I was interested in the funding or economics
19 of that. Is there any public funding or grants involved
20 in that or is that purely private.

21 JOHN ANDRIST: Absolutely no public money of
22 any kind it's entirely private, and we have been providing
23 services through much of that wireless network for over a
24 year.

25 COMMISSIONER THOMPSON: How many subscribers do

1 you have along there?

2 JOHN ANDRIST: Our first operating was for
3 commercial accounts primarily, business accounts. We have
4 a couple of dozens of businesses on the network and our
5 next implementation will be wireless to the home, and we
6 have a waiting list. The big challenge now is equipment
7 and getting it because the demand is great, and so we have
8 it up and working now if my suppliers were on their
9 timelines. I spoke with them on the way over. They tell
10 me I should have equipment within a week or so and we'll
11 begin installing it.

12 COMMISSIONER NESS: You mentioned you were
13 using 2.4 gigahertz. Is a five gigahertz a possibility,
14 that's called the NAII bank, and if so how would you plan
15 to use it and does it cover sufficiently the distances
16 necessary?

17 JOHN ANDRIST: One of the things that's unique
18 about our organization, I'll just point this out because I
19 missed it before is that with a broadcast background, we
20 owned a lot of mountain top facilities already and we're
21 familiar with microwave technology. We looked at 5.7, the
22 other segment, and we also have some 915 megahertz
23 equipment in place. The question is going to be who
24 provides the most economical higher band width capability,
25 will it be 5.7, will it be or 25 gig, 35 gig, similar in

1 that range, which are licensed bands from the L and DS
2 spectrum.

3 There are companies out there right now who
4 are saying we can do 30 megahertz or megahertz or 30
5 megabits, excuse me. I get my hertz and bits mixed up
6 there. We are looking at those things and we're still
7 evaluating which is the best direction to go. It really
8 gets to be cost per megabit question mark, particularly in
9 a sparsely populated area where every dollar has to -- we
10 don't have the customer base to make mistakes. We don't
11 have that luxury for very many mixed days, we've made a
12 few. Thank you you.

13 CHAIRWOMAN SHOWALTER: Mr. Kopp, is NoahNet
14 developed enough yet that you have either arrangements or
15 interactions to where there is an ultimate residential or
16 business consumer whose provider is interconnecting with
17 your network?

18 A. You know, the relationships that being developed
19 right now, again the infrastructure that's in place are
20 the dark fibers themselves. We're just signing contracts
21 next week with an upstream ISP with a shelter constructor
22 and we are signing a contract with Cisco. So essentially
23 we are planning to light this whole network up
24 mid-September. We are spending a lot of time in the local
25 loop trying to help facilitate connectivity from privates

1 and some privates are having difficulty getting transport
2 in the local loop, to get connectivity to the NoaNet pop.
3 There is the instance where the PUD public power can come
4 into play and possibly build fiber infrastructure in the
5 local loop that may enable private businesses to connect
6 to the cost-based transport. So the two in conjunction are
7 pretty attractive from a transport perspective. Does that
8 answer your question?

9 COMMISSIONER SHOWALTER: Yes. It sounds like
10 it's basically right around the corner but hasn't yet been
11 deployed.

12 ROB KOPP: Yeah, and there has been so much
13 energy in the State of Washington dealing with
14 telecommunications that there's already committee task
15 forces in place in almost every county, and what we are
16 seeing now is that they are regionally forming the central
17 Mid-Seas, kind of a far East side, and then you have the
18 Olympic Peninsula and regions beginning to form to talk
19 about how they get access to NoaNet or to affordable
20 internet connectivity.

21 So it's really encouraging what we are seeing
22 out there because we really feel like when the NoaNet
23 concept was first thrown out there that privates were
24 looking at it as a competitive thing, and we are not about
25 competing. We are all about trying to get affordable

1 advanced telecom services into the world, and we feel like
2 we can be the mediator, the people that can go in and say
3 I understand the privates concerns. Here is a public over
4 here that really wants to do the right thing with their
5 asset, and we've done this before, and try and put a model
6 together that works within that community but every
7 community is different. There's a different ILEC there.
8 It could be a Co-Op ora my Multi-state ILEC. It changes in
9 every community that you're in.

10 COMMISSIONER DIXON: Just a quick one. You're
11 not a telephone company, I think we got that. Are you
12 going to be -- are you going to sell any of the
13 capability?

14 ROBERT LAHMANN: Lease.

15 COMMISSIONER DIXON: Lease.

16 ROBERT LAHMANN: Lease dark fiber.

17 COMMISSIONER DIXON: Lease the dark fiber.

18 ROBERT LAHMANN: Right. And for a variety of
19 terms I think our shortest lease so far is five years. Our
20 thinking right now is we probably don't want to go longer
21 than 20 years. Some of the 36 fiber cable that we put in
22 were the earliest that we installed and then we perhaps we
23 should have installed a little bit more for Bonneville's
24 own use as it goes out. We try to accommodate the desires
25 of people who are interested in leasing fiber from us and

1 looking at the route that we are on and saying, When do we
2 think we are going to need that fiber back for our own
3 use.

4 COMMISSIONER DIXON: Probably sooner than you
5 think.

6 ROBERT LAHMANN: Probably sometime sooner than
7 we think and get a match up as well as we can. Hind site
8 is always wonderful.

9 COMMISSIONER DIXON: Always. Let me ask you
10 this. You've got your dark fiber. Maybe Mr. Kopp will
11 light it up and Mr. Andrist will be able to utilize some
12 of that and you all can just do the eastern part or is it
13 the western part we're in?

14 ROBERT LAHMANN: Eastern.

15 COMMISSIONER DIXON: We're in the eastern part.
16 Then the eastern part will be linked and can get the
17 services that are needed. Did we get that right?

18 ROBERT LAHMANN: To me that is the ideal
19 situation and hopefully the end result is that the
20 residence or business in Omack or Republic or wherever in
21 the eastern part of the state will be able to do that at a
22 rate that makes them competitive with people in the I-5
23 corridor, Seattle, Tacoma.

24 COMMISSIONER DIXON: Well, based on the things
25 that I think I heard Mr. Kopp say, he can help you

1 provide.

2 ROBERT LAHMANN: He is.

3 COMMISSIONER DIXON: There a three-way joint
4 venture?

5 ROBERT LAHMANN: Bonneville prsently has a
6 contract leased on that with NoaNet. NoaNet is now in the
7 process of seeing how they can best help John's situation
8 in getting it out into the world. Yes, that's the one.

9 COMMISSIONER DIXON: I was trying to make sure
10 I was linking connected in my mind.

11 ROBERT LAHMANN: That's it how works.

12 COMMISSIONER DIXON: I'll illuminate from an
13 elecric company.

14 ROBERT LAHMANN: I'm sorry?

15 COMMISSIONER DIXON: I'll illuminate from an
16 electric company that doesn't want to be a
17 telecommunications company.

18 ROBERT LAHMANN: Right, isn't that interesting.
19 Actually, we have some of the public power entities in the
20 State of Washington, the PUD's, who have absolutely no
21 desire getting into even dark fiber or anything else.
22 They are locally owned, operated. The average age of
23 commissioners on most of the boards is probably pushing
24 80, and, you know, they can be quite conservative. They
25 don't understand. They don't want to get into the

1 internet business. Even public power is not unanimous on
2 how they would participate in that as well.

3 COMMISSIONER DIXON: You work with them a
4 little bit. You could probably give us an insight as to
5 how we could get that particular grouping back in line and
6 actually activated on the internet. I think that's one of
7 the biggest challenges that I have. Once you get a few
8 people doing it, the others get a little jealous and want
9 to, but how do you get the first group of 80 year olds to
10 the seat, you know?

11 ROBERT LAHMANN: It's extremely difficult.

12 COMMISSIONER DIXON: We'll stay in touch.

13 ROBERT LAHMANN: I don't have an answer for
14 you.

15 COMMISSIONER DIXON: Okay, well, we'll stay in
16 touch. Thank you so much.

17 CHAIRWOMAN SHOWALTER: I should have made the
18 observation at the beginning of the day instead of the
19 end, but the electric industry is the second largest
20 purchaser of telecommunications services second to
21 telecommunications services. So it uses and needs an
22 enormous amount of telecommunications in very high levels,
23 which is what you've seen today. So that is why I think
24 we're seeing the electric companies get so involved in
25 this. I think the theme of day has been the role of public

1 power and other governmental entities in the rural areas.

2 Are there any questions from the audience?

3 Rosemary? You might have to yell or maybe there is a mic.

4 I think we have a mic for you. This is Rosemary Williamson
5 from GTE.

6 ROSEMARY WILLIAMSON: Thank you. My question
7 is for Mr. Layman?

8 ROBERT LAHMANN: Lahmann.

9 ROSEMARY WILLIAMSON: Lahmann; excuse me.

10 ROBERT LAHMANN: But I answer to anything even
11 close.

12 ROSEMARY WILLIAMSON: Okay, Mr. Lahmann. You
13 mentioned that BPA looked out 40 to 50 years, that
14 astounds me, as far as what your capacity might look like
15 in 40 to 50 years. My question goes to you said a minimum
16 of four fibers would be used for public benefit purposes.
17 How much fiber have you leased or signed a contract with
18 with NoaNet is my first question? I would assume it's got
19 to be considerably more than four fibers that their plan
20 was serving the rural community. You mentioned that
21 schools, hospitals, libraries, museums would qualify.

22 My concern is that as an incumbent local
23 exchange, these are primarily our anchor tenant, the
24 schools, hospitals, these are the folks that we can come
25 in and serve and then have enough revenue to come in and

1 do other things for these small communities. If you were
2 going to provide, as a federal agency, fiber leased to a
3 company at a third or half the cost that you would then
4 lease fiber to a commercial company at, it puts us at a
5 very distinct disadvantage. So I need to understand what
6 your thinking is on that.

7 ROBERT LAHMANN: Okay, there were several
8 questions in there, I believe. The first one is
9 concerning the number of fibers.

10 ROSEMARY WILLIAMSON: Yes. What is the number?

11 ROBERT LAHMANN: Bonneville's commitment is for
12 a minimum of four fibers wherever Bonneville installs
13 fiber will be available for public benefit purposes. The
14 lease with NoaNet happens to be for four fibers. I have
15 discussed six with a group down on the southern Oregon
16 coast. We have not said that there would be a maximum,
17 but you put your finger on another point in that we don't
18 want to get into a situation in a rural area that has a
19 low density that can barely support one supplier and go
20 out with Bonneville's public benefit fiber to a dozen and
21 have them have a shoot out on Main Street and everybody
22 fail. That isn't the objective that we're trying to reach.

23 Bonneville does not have a requirement on
24 public benefit fiber. If we have it available and someone
25 can put together put a business plan. It could be a

1 public, a private, a profit, a non-profit, whomever, can
2 come to Bonneville and we would put a business case
3 together, a contractual terms and conditions together to
4 get to the point that I was talking about. Access in
5 rural areas the rates are roughly comparable to what's
6 available in urban areas.

7 Now, hopefully, and I agree with John, what he
8 was talking about a little bit ago, I think the challenge
9 for all of us and the opportunities for all of us exist.
10 It's changed from our traditional view on this, and we
11 need to look at it. When you are talking about a CLEC or
12 someone else and competitive advantages or disadvantages,
13 I think there are opportunities and maybe we need to take
14 a little bit different look at how we look at competition
15 and where the opportunities are for each of us and I think
16 it will work. I have lost a question in there that you
17 had. So hit me again with what I missed.

18 ROSEMARY WILLIAMSON: No, I think you pretty
19 much answered my question. The one that you didn't
20 completely answer for me is that if I have an obligation
21 to serve and I'm providing local service to a small
22 community and I need fiber to get in there, and I come to
23 you and you're telling me that the four percent minimum
24 that you're leasing to NoaNet here, you give it to them
25 at a third or sometimes 50 percent less than what you

1 would lease it to me as a company. I was concerned about
2 what your justification was for that if we are serving the
3 same rural community.

4 ROBERT LAHMANN: What I would suggest to you is
5 if NoaNet is in your area I would refer you to NoaNet
6 because they've agreed to provide capacity at a cost pass
7 through basis, and I'm not sure that we could get into a
8 situation where you could afford to light the entire
9 thousand mile ring on the basis of the population that
10 you're trying to serve. It would probably be economically
11 difficult, and I guess that's why I'm saying I think we
12 need to look at this world maybe a little bit differently
13 than than we have looked at the world in the past.

14 ROB KOPP: Could I add something. From an ILEC
15 perspective, having NoaNet in that community doesn't
16 change particularly the ILEC revenue stream within the
17 border of that latta. NoaNet may carry some cost based
18 traffic latta to latta or across the state for that
19 rurally originated traffic, but for an ILEC that's an
20 island out there, I don't see the revenue stream changing
21 for you, unless another competitor that's a competitive
22 local exchange company comes in and competes with you. You
23 have the same access to that asset or cost-based transport
24 that your competitor does. It's really your decision, do
25 you build out and light it up yourself or use the assets

1 that are there?

2 COMMISSIONER DIXON: Do you find that the
3 increase in internet users are going to be having you plan
4 for more capacity in power especially if he is going to
5 light up and once all this stuff starts you will probably
6 be generating more power there or has it not gotten to
7 that point yet?

8 ROBERT LAHMANN: I haven't seen any studies
9 that indicate the increase in internet is going to
10 increase the requirement generation in the Pacific
11 Northwest. There have been studies that say we have
12 problems already under certain scenarios with inadequate
13 generation in the Northwest, but I haven't seen anything
14 that ties an increase in energy use to --

15 COMMISSIONER DIXON: It's really capacity, not
16 so much generation that you store and plan for something.
17 I'm wondering if you have to plan for more? You haven't
18 seen anything like that yet?

19 ROBERT LAHMANN: No.

20 COMMISSIONER DIXON: Be prepared.

21 ROBERT LAHMANN: Oh, yes.

22 COMMISSIONER DIXON: Thanks.

23 CHAIRWOMAN SHOWALTER: Terry. This is Terry
24 Van of the Washington Independent Telephone Association
25 of the small telephone companies in the state.

1 TERRY VAN: Thanks. I'm not going to make a
2 speech, I promise. I did want to say a couple of responses
3 to what's been presented. I think the issue of transport
4 is right on. That is a key component in what we are trying
5 to deal with here and the cost of that transport. It's
6 not that we don't have fiber in our rural communities.
7 Today we have it. It is the cost that we are concerned
8 with and this is another option that the BPA and that
9 NoaNet is presenting that could reduce the cost to us as
10 private companies to provide that service. So we are
11 looking forward to working with NoaNet and with the BPA
12 behind them on getting a lower cost for transport in our
13 rural communities. So I'm encouraged to hear that if we
14 wanted to go to BPA and get the public benefit fiber
15 through a private network that they are willing to talk to
16 us about that. Originally, we were under the impression
17 that the four fiber that had been designated were
18 exclusively NoaNet's. So that we would only have the
19 opportunity of working with NoaNet. That's not to say we
20 won't work with NoaNet because we probably will in some
21 rural communities.

22 I did want to make that point. It's not an
23 issue in our rural communities that they do not have it
24 available. They have fiber available. The issue here in
25 Washington State is cost of getting that transport. So I

1 guess I did make a statement. On the other hand, I am
2 looking forward to working with this option because I
3 think that is viable for our state.

4 CHAIRWOMAN SHOWALTER: We reserve a period at
5 the end of the day for public comment. I want to see out
6 there if anybody wants to make some general comments and
7 if we need to take a quick break before we start that or
8 we can just wind up today. Does anyone else want to make
9 some observations?

10 Well, I think that we are ready to conclude.
11 Why don't I begin and pass it down the line. I just have
12 to say this day makes me proud to be from this state. I
13 found that these preparations were really exciting and to
14 see bright, intelligent people in their own communities
15 coming up with really creative and innovative ideas for
16 how to get band width or development or just improvement
17 to their own communities is really, really exciting.

18 I want to thank, again, Steve Cline and Tacoma
19 Power for providing the facilities here. It was just
20 great. Everything went very smoothly. Thank you so much.
21 I want to also thank Tom Wilson of my staff for doing just
22 about everything to put things together. It reminded me of
23 a tile layer that once come to our house. He said his
24 motto was, No job too big or too small, but you've really
25 done a great job on this. With that I think let me turn

1 it over to maybe Nan.

2 COMMISSIONER THOMPSON: First of all, thank
3 you, Marilyn, for agreeing. We were talking this morning
4 remembering the phone call recently. It's been a very
5 informative day for me as a member of the Joint Conference
6 and it was great to hear from folks in the State of
7 Washington who have come up with some very successful
8 strategies who face many of the challenges that others in
9 rural areas, other parts of the country do, and it's
10 important for us to hear about what's worked or what
11 dreams you have that hopefully will be working in the next
12 couple of years.

13 I appreciate all the efforts on the part of
14 the Washington staff and Mr. Cline to arrange the day.
15 Thank you.

16 COMMISSIONER NESS: Thank you, I, too, want to
17 thank you, Marilyn, for all of your hard work and for Tom
18 and the rest of the staff, my assistant, Jordan Goldstein,
19 who was helping us on a whole host of issues on
20 Telecommunications back in Washington for all of his
21 efforts as well and to say that, just like the internet,
22 where you are able to have the intelligence go basically
23 to the local communities and the like, what we have seen
24 here reinforces that concept, and that is basically that
25 we have a lot of creativity unleashed when we are dealing

1 now with different telecommunications opportunities.

2 We've learned a tremendous amount today about how to make
3 this work with urban areas as well as rural areas.

4 The information presented today will be passed
5 along. We will be compiling a report of good ideas. Also,
6 we will continue to be working with all of you to see if
7 there aren't ways that we can yet again expand upon and
8 magnify the concepts that you are doing here so that
9 others can reap those benefits as well.

10 I want to thank you for your contributions for
11 taking the time to inform us today, also for my state
12 colleagues for the opportunity to get together and work
13 together to make solutions happen across the country. I
14 look forward to continuing our discussions in Alaska
15 tomorrow and on the other four sessions that remain.
16 Thank you all very much.

17 COMMISSIONER DIXON: Last but not least. I want
18 to thank particularly Chairwoman Showalter for having us
19 here. We were last year and I got to see a little bit of
20 this, but today it was real exciting, and the good news is
21 that it's positive news. The multiple approaches, you all
22 being real creative and we knew as state and federal
23 regulators that we didn't have all the answers, but we
24 knew that the excitement would be in the hearings and
25 we'll be able to see the different models and go back and

1 as Commissioner Ness says, and put it together and let
2 people look at it across the board. The great news is
3 we've got examples and models that we can actually go back
4 and look at and it's all thanks to you, and you should be
5 proud to be from the State of Washington. We're going to
6 share some of that stuff where I'm from. Thank you so
7 much.

8 CHAIRWOMAN SHOWALTER: Thanks everyone.

9 (HEARING CONCLUDES 4:00 P.M.)

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REPORTER'S CERTIFICATE

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LOCATION: Tacoma, Washington

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the Federal Communications Commission.

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